

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarter ended September 30, 2001
Commission File Number: 0-27177

GALTECH SEMICONDUCTOR MATERIALS CORPORATION
(Exact name of small business issuer as specified in its charter)

UTAH
(State or other jurisdiction
of incorporation or organization)

87-0427597
(IRS Employer Identification No.)

275 South Mountainland Drive, Orem, Utah 84057
(Address of principal executive offices)

923 West 500 North, Lindon, Utah 84042
(Former address, if changed since last report)

Registrant's telephone number, including Area Code: (801) 226-4490

Indicate by check mark whether the Registrant (1) has filed
1313 or 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 1213 or 15(d) of the Securities Ex
period that the registrant was required to file such reports)

YES X NO

and (2) has been subject to such filing requirements for the past 90 days:

YES X NO

14,849,015
(Number of shares of common stock
the registrant had outstanding as of September 30, 2001)

ITEM 1. FINANCIAL STATEMENTS

**GALTECH SEMICONDUCTOR MATERIALS CORPORATION
AND SUBSIDIARIES**

(A Development Stage Company)
Consolidated Balance Sheets

	<u>ASSETS</u>	
	September 30, 2001 (Unaudited)	December 31, 2000
CURRENT ASSETS		
Cash	\$ 5,531	\$ 45,155
Accounts receivable	6,000	-
Inventory	<u>177,503</u>	<u>176,843</u>
Total Current Assets	<u>189,034</u>	<u>221,998</u>
EQUIPMENT, NET	<u>2,851</u>	<u>22,560</u>
TOTAL ASSETS	<u><u>\$ 191,885</u></u>	<u><u>\$ 244,558</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 40,612	\$ 46,074
Notes payable - related	8,410	8,289
Accrued expenses	<u>1,266</u>	<u>839</u>
Total Current Liabilities	<u>50,288</u>	<u>55,202</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, \$0.00025 par value, 200,000,000 shares authorized; 14,946,018 and 14,844,018 shares issued and outstanding, respectively	3,739	3,713
Additional paid-in capital	4,959,347	4,934,673
Deficit accumulated during the development stage	<u>(4,821,489)</u>	<u>(4,749,030)</u>
Total Stockholders' Equity	<u>141,597</u>	<u>189,356</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 191,885</u></u>	<u><u>\$ 244,558</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**GALTECH SEMICONDUCTOR MATERIALS CORPORATION
AND SUBSIDIARIES**

(A Development Stage Company)
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		From Inception on June 18, 1984 Through September 30,
	2001	2000	2001	2000	2001
SALES	\$ -	\$ -	\$ -	\$ -	\$ 599,609
COST OF PRODUCT SOLD	-	-	-	-	676,198
GROSS MARGIN	-	-	-	-	(76,589)
OPERATING EXPENSES					
General and administrative	3,265	-	10,464	189,537	2,669,197
Legal and professional	6,853	3,624	34,425	8,389	873,136
Research and development	-	5,538	4,884	16,269	548,140
Depreciation	4,442	9,059	22,710	27,178	423,318
Total Expenses	14,560	18,221	72,483	241,373	4,513,791
Net Loss From Operations	(14,560)	(18,221)	(72,483)	(241,373)	(4,590,380)
OTHER INCOME (EXPENSE)					
Interest expense	(426)	(205)	(733)	(634)	(86,462)
Interest income	-	716	757	1,763	94,085
Loss on disposal of assets	-	-	-	-	(241,238)
Miscellaneous	-	-	-	-	2,506
Total Other Income (Expense)	(426)	511	24	1,129	(231,109)
NET LOSS	<u>\$ (14,986)</u>	<u>\$ (17,710)</u>	<u>\$ (72,459)</u>	<u>\$ (240,244)</u>	<u>\$ (4,821,489)</u>
BASIC LOSS PER SHARE	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>14,849,095</u>	<u>14,662,370</u>	<u>14,849,095</u>	<u>14,793,653</u>	

The accompanying notes are an integral part of these consolidated financial statements.

GALTECH SEMICONDUCTOR MATERIALS CORPORATION AND SUBSIDIARIES

(A Development Stage Company)

Consolidated Statements of Stockholders' Equity

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Treasury Stock</u>		<u>Subscription</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Deficit</u>	<u>Shares</u>	<u>Amount</u>	<u>Receivable</u>	<u>Equity</u>
Balance, December 31, 1997	7,674,018	\$ 1,921	\$ 3,420,822	\$ (3,129,704)	-	\$ -	\$ -	\$ 293,039
Stock issued for services valued at \$0.12 per share	2,970,000	742	355,658	-	-	-	-	356,400
Contribution of capital by shareholder	-	-	29,243	-	-	-	-	29,243
Net loss for the year ended December 31, 1998	<u>-</u>	<u>-</u>	<u>-</u>	<u>(464,211)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(464,211)</u>
Balance, December 31, 1998	10,644,018	2,663	3,805,723	(3,593,915)	-	-	-	214,471
Stock Issued for services valued at \$0.27 per share	1,000,000	250	269,750	-	-	-	-	270,000
Stock issued for services to be rendered valued at \$0.27 per share	2,000,000	500	539,500	-	-	-	(180,000)	360,000
Stock issued for debt and subscription valued at \$0.27 per share	1,000,000	250	269,750	-	-	-	(208,002)	61,998
Net loss for the year ended December 31, 1999	<u>-</u>	<u>-</u>	<u>-</u>	<u>(729,731)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(729,731)</u>
Balance, December 31, 1999	<u>14,644,018</u>	<u>\$ 3,663</u>	<u>\$ 4,884,723</u>	<u>\$ (4,323,646)</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (388,002)</u>	<u>\$ 176,738</u>

The accompanying notes are an integral part of these consolidated financial statements.

GALTECH SEMICONDUCTOR MATERIALS

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Treasury Stock</u>		<u>Subscription Receivable</u>	<u>Total Equity</u>
	<u>Shares</u>	<u>Amount</u>			<u>Shares</u>	<u>Amount</u>		
December 31, 1999	14,644,018	\$ 3,663	\$ 4,884,723	\$ (4,323,646)	-	\$ -	\$ (388,002)	\$ 176,738
Stock issued for cash valued at \$0.25 per share	200,000	50	49,950	-	-	-	-	50,000
Receipt of stock subscription	-	-	-	-	-	-	25,000	25,000
Expense of stock subscription	-	-	-	-	-	-	363,002	363,002
Net loss for the year ended December 31, 2000	<u>-</u>	<u>-</u>	<u>-</u>	<u>(425,384)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(425,384)</u>
Balance, December 31, 2000	14,844,018	3,713	4,934,673	(4,749,030)	-	-	-	189,356
Common stock issued for services at \$0.17 per share (unaudited)	10,000	3	1,697	-	-	-	-	1,700
Common stock issued for cash at \$0.25 per share (unaudited)	92,000	23	22,977	-	-	-	-	23,000
Net loss for the nine months ended September 30, 2001 (unaudited)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,459)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,459)</u>
Balance, September 30, 2001 (unaudited)	<u>14,946,018</u>	<u>\$ 3,739</u>	<u>\$ 4,959,347</u>	<u>\$ (4,821,489)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,597</u>

The accompanying notes are an integral part of these consolidated financial statements.

GALTECH SEMICONDUCTOR MATERIALS CORPORATION AND SUBSIDIARIES

(A Development Stage Company)

Consolidated Statements of Cash Flows (Unaudited)

	For the Nine Months Ended September 30,		From Inception on June 18, 1984 Through September 30,
	<u>2001</u>	<u>2000</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (72,459)	\$ (240,244)	\$ (4,821,489)
Adjustment to reconcile net loss to net cash used by operating activities:			
Depreciation	22,710	27,178	(423,318)
Common stock issued for services	1,700	-	1,401,100
Loss on disposal of property	-	205,000	241,238
Stock subscription expensed	-	-	388,002
Changes in operating assets and liabilities:			
(Increase) in inventory	(660)	-	(177,503)
(Increase) in accounts receivable	(6,000)	-	(6,000)
Increase (decrease) in accounts payable	(5,462)	1,657	48
Increase (decrease) in accrued liabilities	<u>427</u>	<u>562</u>	<u>60,937</u>
Net Cash (Used) by Operating Activities	<u>(59,744)</u>	<u>5,847</u>	<u>(2,490,349)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of assets	(3,001)	-	(3,001)
Capital expenditures	-	-	(718,191)
Purchase of treasury stock	-	-	(19,450)
Stock subscription	<u>-</u>	<u>-</u>	<u>(732,300)</u>
Net Cash (Used) from Investing Activities	<u>(3,001)</u>	<u>-</u>	<u>(1,472,942)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from note payable - related	1,130	6,771	548,794
Repayments of note payable - related	(1,010)	-	(444,771)
Sale of treasury stock	-	-	1,911,183
Cancellation of stock subscription	-	-	732,300
Common stock issued for cash	<u>23,000</u>	<u>50,000</u>	<u>1,221,316</u>
Net Cash (Used) Provided by Financing Activities	<u>\$ 23,120</u>	<u>\$ 56,771</u>	<u>\$ 3,968,822</u>

GALTECH SEMICONDUCTOR MATERIALS CORPORATION

The accompanying notes are an integral part of these consolidated financial statements.

AND SUBSIDIARIES

(A Development Stage Company)

Consolidated Statements of Cash Flows (Continued)

	For the Nine Months Ended September 30,		From Inception on June 18, 1984 Through September 30,
	2001	2000	2001
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (39,625)	\$ 50,924	\$ 5,531
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>45,156</u>	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS END OF PERIOD	<u>\$ 5,531</u>	<u>\$ 50,924</u>	<u>\$ 5,531</u>

SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION

CASH PAID DURING THE YEAR FOR

Interest	\$ -	\$ -	\$ 85,687
Income taxes	\$ -	\$ -	\$ -

SCHEDULE OF NON-CASH FINANCING ACTIVITIES

Common stock issued for services	\$ 1,700	\$ 250,000	\$ 1,399,400
Common stock issued for debt	\$ -	\$ -	\$ 61,998

GALTECH SEMICONDUCTOR MATERIALS CORPORATION

The accompanying notes are an integral part of these consolidated financial statements.

AND SUBSIDIARIES

NOTE 1 -BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed consolidated financial statements include normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, it is suggested that these interim condensed consolidated financial statements be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its December 31, 2000 Annual Report on Form 10-KSB. Operating results for the nine months ended September 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001.

NOTE 2 -GOING CONCERN

The Company's financial statements are prepared using the generally accepted accounting principles applicable to going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has little cash and without realization of additional adequate financing, it would be unlikely for the Company to pursue and realize its objective of operating profitably. The Company plans to continue the research and development process prior to the sales of its product. In the interim, management has committed to covering the operating expenses of the Company.

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 3 -MATERIAL EVENTS

On June 29, 2001, William F. Pratt resigned from his positions as Chief Executive Officer, President and Director, and David R. Porter resigned from his positions as Secretary/Treasurer. The resignations were due to lack of Company funding, inability to proceed with material operations, and the loss of facility space. These events were reported on June 29, 2001 in a Form 8-K filing.

ITEM 2. - MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Plan of Operations.

Due to recent weak stock market and economic conditions, Verity Global Financial, L.L.C., is currently unable to proceed with the terms of its initial Securities Purchase Agreement with the Company. On July 14, 2001, the parties executed an Addendum to the Agreement. The Addendum provides for Verity to provide the Company with not less than \$6,000 per month in exchange for registered shares of the Company's common stock, at a price of \$0.25 per share. These payments are to be credited against the initial \$450,000 funding amount under the original Agreement. Verity further agreed to subordinate its interest to any new financing that the Company may obtain. Management believes that the funding provided for under the Addendum will allow the Company to meet its administrative expenses over the next 12 months. However, unless the Company is able to obtain substantial additional funding from Verity or another source, it has insufficient funds to pursue meaningful development of its process for production of semiconductor materials. The Company will not have enough money to purchase cadmium telluride and other crystal growth supplies until it obtains this funding. The Company can provide no assurance that it will ever be able to obtain sufficient funding to continue with its research and development efforts. This discussion contains "forward-looking" statements and information, all

The accompanying notes are an integral part of these consolidated financial
statements.

of which is modified by reference to the caption "Risk Factors" contained in our Registration Statement on Form SB-2, as amended, and which is incorporated herein by this reference

Results of Operations.

We have not had any material operations since approximately 1990. We did not receive any revenues during the three months ended September 30, 2001, and 2000. Operating expenses for those periods were \$14,560 and \$18,221, respectively, resulting in a net loss for those periods of (\$14,986) and (\$17,710). For the nine months September 30, 2001, and 2000, we did not receive any revenues and we had operating expenses for those periods of \$72,483 and \$241,373, resulting in a net loss for those periods of (\$72,459) and (\$240,244), respectively.

Liquidity and Capital Resources.

We had total current assets as of September 30, 2001, of \$189,034, of which \$177,503 was inventory, \$6,000 was accounts receivable and \$5,531 was cash. As of September 30, 2001, our total current liabilities were \$50,288.

We will not be able to conduct any material research and development activities until we receive substantial additional funding either from Verity or from another source. We can not assure you that we be able to receive any such funding.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS. None

The accompanying notes are an integral part of these consolidated financial statements.

ITEM 2. CHANGES IN SECURITIES.

On September 11, 2001, 10,000 shares were issued to Todd Charl Proffitt for services rendered and 92,000 shares were issued to Verily Global Financial, L.L.C. in exchange for \$17,000 cash.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES. None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS. None.

ITEM 5. OTHER INFORMATION.

On July 10, 2001, the sole director appointed Rulon Cluff Secretary/Treasurer of the Company.

On July 23, 2001, the Company entered into a lease with Kevin Maag for approximately 2,250 square feet of work space at 275 South Mountainland Drive, Orem, Utah. The lease will expire on July 22, 2002. Rent for that period will be \$1,000 per month. The Company has relocated its operations to this property.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

Registration Statement on Form SB-2, filed with the Securities and Exchange Commission on July 13, 2000, and amended September 25, 2000; January 10, 2001; February 1, 2001; and February 8, 2001.*

Addendum to Verity Global Financial L.L.C. Agreement with the Company*

The accompanying notes are an integral part of these consolidated financial statements.

(b) Reports on Form 8-K.

Current Report on Form 8-K filed with the Securities and Exchange Commission on June 29, 2001.*

* These documents, together with related exhibits, have previously been filed with the Securities and Exchange Commission and are incorporated herein by reference.

The accompanying notes are an integral part of these consolidated financial statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REGISTRANT:

GALTECH SEMICONDUCTOR MATERIALS
CORPORATION

DATED: November 14, 2001

By: /s/ S. Kent Holt
S. Kent Holt, President
Executive Vice President and Director

DATED: November 14, 2001

By: /s/ Rulon Cluff
Rulon Cluff
Secretary/Treasurer

The accompanying notes are an integral part of these consolidated financial statements.